Agriculture and Agri-Food Canada | Agriculture et Agroalimentaire Canada

AGRICULTURE AND AGRI-FOOD CANADA

Quarterly Financial Report
For the quarter ended June 30, 2015

Canada

AGRICULTURE AND AGRI-FOOD CANADA

Statement outlining results, risks and significant changes in operations, personnel and programs

Introduction

Agriculture and Agri-Food Canada's Quarterly Financial Report (QFR) should be read in conjunction with the Main Estimates, Supplementary Estimates (A), as well as Canada's Economic Action Plan 2015 (Budget 2015). This report has been prepared as required by section 65.1 of the ***Financial Administration Act*** and in the form and manner prescribed by the Treasury Board. As such, it has not been subject to an external audit or review.

Detailed information on Agriculture and Agri-Food Canada (AAFC)'s program activities can be found in the Report on Plans and Priorities.

Basis of Presentation

This quarterly report has been prepared using an expenditure basis of accounting. The accompanying Statement of Authorities includes the Department's spending authorities granted by Parliament and those used by the Department consistent with the Main Estimates and Supplementary Estimates (A) for the 2015-2016 fiscal year. This quarterly report has been prepared using a special purpose financial reporting framework designed to meet financial information needs with respect to the use of spending authorities.

The authority of Parliament is required before monies can be spent by the Government. Approvals are given in the form of annually approved limits through appropriation acts or through legislation in the form of statutory spending authority for specific purposes.

The Department uses the full accrual method of accounting to prepare and present its annual departmental financial statements that are part of the departmental performance reporting process. However, the spending authorities voted by Parliament remain on an expenditure basis.

Highlights of fiscal quarter and fiscal year to date (YTD) results

Authorities

AAFC's QFR reflects the results of the 2015-2016 fiscal period ending June 30, 2015, for which full supply of Main Estimates and Supplementary Estimates (A) was released on June 18, 2015.

At the end of the first quarter of 2015-2016, AAFC had total funding available for use of $2,307.1 million as detailed in Table 1. This amount includes the 2015-2016 Main Estimates of $2,257.1 million, the 2015-2016 Supplementary Estimates (A) of $41.0 million, and $9.0 million related to proceeds collected from the sale of Crown assets. The increase of $52.5 million compared to AAFC's total authorities at the same time in fiscal year 2014-2015 is mainly due to increases in Vote 5 Capital Expenditures and Vote 10 Grants and Contributions.

Vote 1 Net Operating authorities as of June 30, 2015 totalled $540.8 million, a decrease of $4.2 million from the June 30, 2014 amount of $544.9 million. This reduction is primarily due to timing of transfers to other departments.

Vote 5 Capital authorities at the end of the first quarter of 2015-2016 totalled $43.3 million, an increase of $15.5 million from the June 30, 2014 amount of $27.9 million. This increase is due to $15.5 million approved for the Federal Infrastructure Initiative.

Vote 10 Grants and Contributions authority available for use as of June 30, 2015 of $400.2 million reflects a net increase of $34.9 million from $365.4 million at the same time in 2014-2015. The increase is in large part due to $27.2 million additional funding for the Canadian Wheat Board Transition Costs Program reprofiled from future year funding and a $5.7 million increase for the GF2 AgriInnovation Program, due to the reprofile of unspent funding from 2014-2015 to 2015-2016.

Budgetary Statutory authorities available as at June 30, 2015 were $1,322.8 million, an increase of $6.3 million from the June 30, 2014 amount of $1,316.5 million. This slight increase reflects the net effect of increases of $7.5 million related to proceeds collected from the sale of Crown assets and $1.7 million related to the Employee Benefit Plan technical adjustment, offset by a $2.9 million decrease related to the sunsetting of the Canadian Cattlemen's Association Legacy Fund.

Graph 1: Comparison of Authorities Available for Use

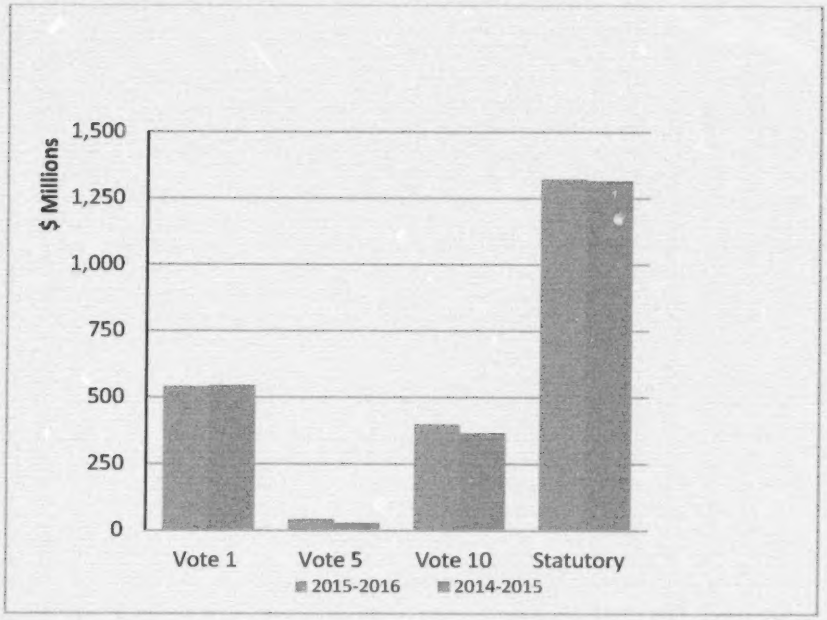

Table 1: Authorities Available for Use (In thousands of dollars) (1)

Authorities	2015-16	2014-15	Variances	%
Vote 1 - Net Operating expenditures	540,778	544,949	(4,171)	(1%)
Vote 5 - Capital expenditures	43,322	27,872	15,450	55%
Vote 10 - Grants and contributions	400,235	365,352	34,883	10%
Budgetary statutory authorities	1,322,777	1,316,490	6,287	0%
Total Authorities	**2,307,111**	**2,254,664**	**52,447**	**2%**

Note:
(1) Totals may not add due to rounding.

Expenditures

As detailed in Table 2, at the end of the first quarter of 2015-2016, the Department had spent $241.3 million, compared to $194.3 million for the same period in fiscal year 2014-2015. The net increase of $47.0 million or 24% is primarily related to a one time grant payment for the Canadian Wheat Board Transition Costs Program coinciding with commercialization of the Canadian Wheat Board.

Vote 1 Net Operating expenditures at the end of the first quarter were $135.6 million, 25% of the total available for use of $540.8 million which is similar to expenditures of $140.7 million or 26% of the total available for the same period last fiscal year.

Vote 5 Capital expenditures at the end of the first quarter were $2.2 million or 5% of the total available for use of $43.3 million. This is also not materially different from the same period in 2014-2015 ($1.2 million or 4% of the budget of $27.9 million).

Vote 10 Grants and Contributions expenditures at the end of the first quarter of 2015-2016 were $73.3 million or 18% of the total available for use of $400.2 million. The previous year's spending for the first quarter was $12.1 million or 3% of the total available for use of $365.4 million. The increase in expenditures of $61.2 million is primarily related to the one time grant payment under the Canadian Wheat Board Transition Costs Program noted previously.

Budgetary Statutory Authorities expenditures at the end of the first quarter of 2015-2016 were $30.2 million compared to $40.2 million for the same period of the previous year. The decrease in spending of $10.0 million is mainly related to decreases in payments of $21.9 million in support of the Assistance to the Pork Industry Initiative which sunset in 2013-2014 and $13.2 million in the AgriStability Program, offset by increased expenditures of $18.1 million for the AgriInsurance Program.

Graph 2: Comparison of Expenditures

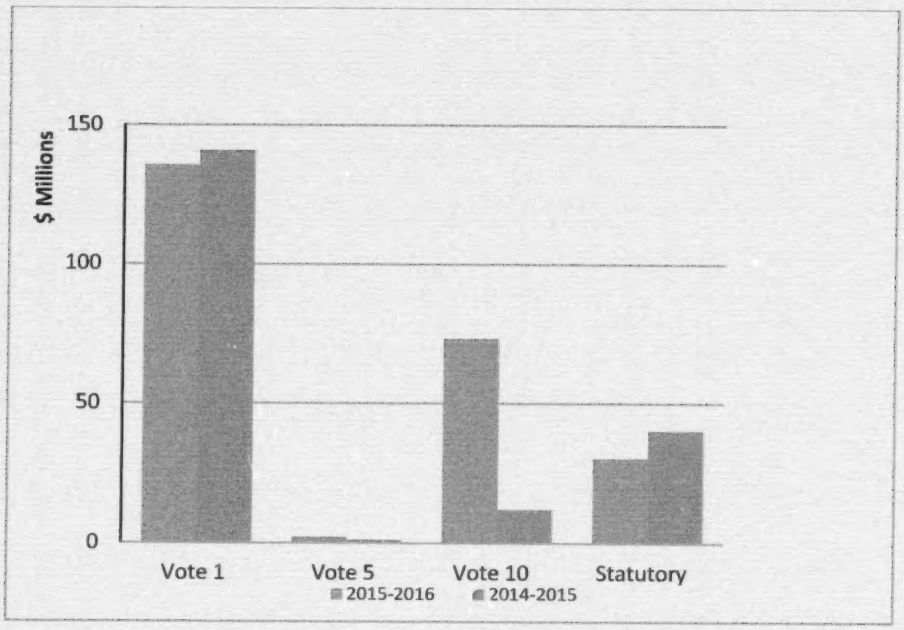

Table 2: Expenditures (In thousands of dollars) (1)

Expenditures	2015-16	2014-15	Variances	%
Vote 1 - Net Operating expenditures	135,582	140,693	(5,111)	(4%)
Vote 5 - Capital expenditures	2,173	1,213	960	79%
Vote 10 - Grants and contributions	73,264	12,106	61,158	505%
Budgetary statutory authorities	30,241	40,241	(10,000)	(25%)
Total Net Budgetary Expenditures	**241,260**	**194,253**	**47,007**	**24%**

Note:
(1) Totals may not add due to rounding.

Expenditures in Comparison to Authorities

At the end of the first quarter of 2015-2016, the Department had spent $241.3 million (10% of the total funding available for use), compared to $194.3 million for the same period in fiscal year 2014-2015 (9% of the authorities).

Graph 3: Comparison of Total Authorities and Total Net Budgetary Expenditures as of June 30, for fiscal years 2015-2016 and 2014-2015

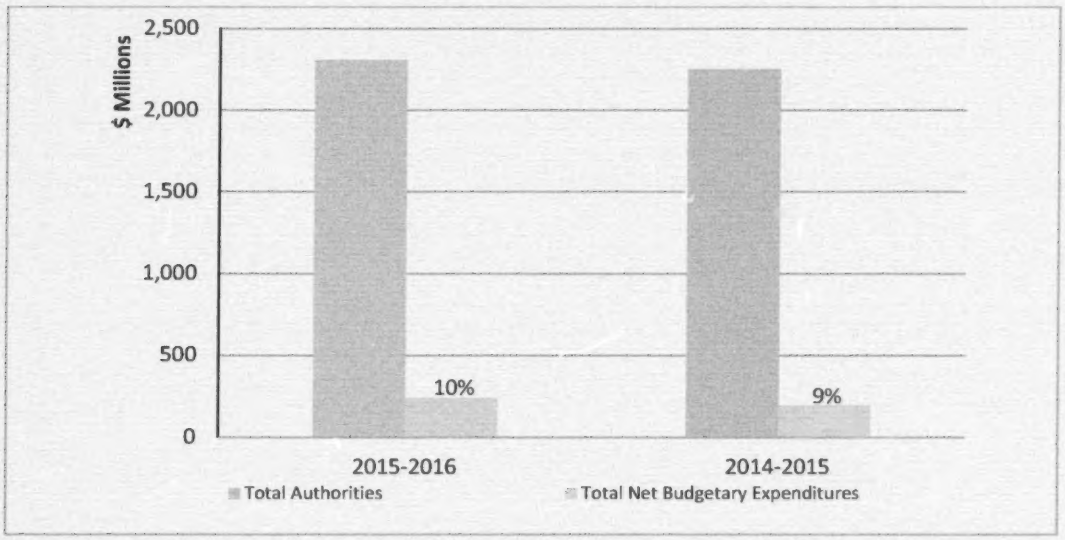

Table 3 presents budgetary expenditures by standard object. The main variance in expenditures between 2015-2016 and 2014-2015 by standard object is in transfer payments, with an increase of $50.5 million or 141%, entirely due to the increase of $55.1 million for the Canadian Wheat Board Transition Cost Program. The increase in the personnel standard object is attributable to the recording of one additional pay period of approximately $13 million in the first quarter of 2015-2016 which is offsetting the overall reduction in salary expense as a result of fewer full-time equivalents. In 2014-15 the one-time transition payment of $14.1 million for implementing salary payment in arrears by Government of Canada was recorded under other subsidies and payments. For the other standard objects, variances compared to the first quarter of 2015-2016 reflect timing of payments rather than significant changes in spending patterns.

AAFC has total Revenue Spending authority of up to $67.4 million for 2015-2016. The revenue is generated from collaborative research agreements between AAFC and third parties, the grazing and breeding activities of the Community Pastures Program, the administration of the AgriStability Program, as well as recoveries for costs related to Internal Support Services

provided to other departments. The Department has generated $7.6 million in revenues up to the end of the first quarter of 2015-2016 compared to $10.9 million for the same period last year. The revenue decrease of $3.3 million is a net result of a decrease of $1.2 million related to Internal Information Technology Support Services provided to other departments, $1.1 million related to collaborative research agreements between AAFC and third parties, and $1.0 million decline in revenue for the Community Pastures Program as devolution of the program continues.

Table 3: Budgetary Expenditures by Standard Object (In thousands of dollars) (1)

Expenditures	2015-16	2014-15	Variances	%
Personnel	128,386	124,446	3,940	3%
Transportation and communications	2,370	1,571	799	51%
Information	1,064	660	404	61%
Professional and special services	17,682	14,713	2,969	20%
Rentals	523	835	(312)	(37%)
Repairs and maintenance	2,648	3,195	(547)	(17%)
Utilities, materials and supplies	6,276	6,118	158	3%
Acquisition of land, buildings and works	219	403	(184)	(46%)
Acquisition of machinery and equipment	2,701	2,166	535	25%
Transfer payments	86,432	35,888	50,544	141%
Other subsidies and payments	562	15,201	(14,639)	(96%)
Total Gross Budgetary Expenditures	**248,863**	**205,196**	**43,667**	**21%**
Less: Revenues netted against expenditures	7,603	10,943	(3,340)	(31%)
Total Net Budgetary Expenditures	**241,260**	**194,253**	**47,007**	**24%**

Note:
(1) Totals may not add due to rounding.

Risks and Uncertainties

Agriculture and Agri-Food Canada continues to exercise prudent fiscal management in delivering its policies and programs. Several factors continue to impact resources, including the 2014 Operating Budget Freeze and the *Growing Forward 2* framework which emphasizes funding for innovation and assistance to the industry to compete more effectively in domestic and global markets.

AAFC systematically identifies, assesses, monitors, and responds to a variety of strategic, operational, and program- and project-level risks and opportunities. These activities are captured within the Department's Program Performance Measurement and Risk Management Strategies (PPMRMS) process. The PPMRMS requires that Departments implement ongoing performance measurement, including risk and opportunity monitoring and performance information availability, to effectively support program expenditures. The Department's decision-making capacity is enhanced by effectively embedding risk and opportunity management within its culture, processes, and planning practices. Annually, AAFC updates its Corporate Risk Profile to communicate the key risks and opportunities that have the potential to influence departmental priorities, resource allocation, and the achievement of Strategic Outcomes.

Significant changes in relation to operations, personnel and programs

Personnel

Nancy Hamzawi was appointed Director General, Office of Audit and Evaluation, effective June 22, 2015.

Programs

The Canadian Wheat Board Transition Costs Program made a $55.3 million lump sum payment this year for Other Post-Employment Benefits, a change from the originally planned multi-year payments.

As part of the Government of Canada's 2015 Economic Action Plan that helps build and renew infrastructure projects across the country, AAFC will receive $47.5 million over 2 years for initiatives to improve departmental infrastructure and equipment.

Approval by Senior Officials
Approved by:

Original signed by	Original signed by
Andrea Lyon, Deputy Head	Pierre Corriveau, Chief Financial Officer
Ottawa, Canada	
August 28 , 2015	

AGRICULTURE AND AGRI-FOOD CANADA

Statement of Authorities *(unaudited)*

For the quarter ended June 30, 2015

(In thousands of dollars)

	Fiscal year 2015-2016 [1]			Fiscal year 2014-2015 [1]		
	Total available for use for the year ending March 31, 2016 [2]	Used during the quarter ended June 30, 2015	Year to date used at quarter-end	Total available for use for the year ended March 31, 2015 [2]	Used during the quarter ended June 30, 2014	Year to date used at quarter-end
Vote 1 - Net Operating expenditures	$ 540,778	$ 135,582	$ 135,582	$ 544,949	$ 140,693	$ 140,693
Vote 5 - Capital expenditures	43,322	2,173	2,173	27,872	1,213	1,213
Vote 10 - Grants and contributions	400,235	73,264	73,264	365,352	12,106	12,106
Budgetary statutory authorities [3]	1,322,777	30,241	30,241	1,316,490	40,241	40,241
Total Budgetary authorities	2,307,111	241,260	241,260	2,254,664	194,253	194,253
Total authorities	$ 2,307,111	$ 241,260	$ 241,260	$ 2,254,664	$ 194,253	$ 194,253

Notes:

(1) Totals may not add due to rounding.
(2) Includes only Authorities available for use and granted by Parliament at quarter-end.
(3) Details on Budgetary statutory authorities are included in Appendix A.

AGRICULTURE AND AGRI-FOOD CANADA

Departmental budgetary expenditures by Standard Object *(unaudited)*

For the quarter ended June 30, 2015

(In thousands of dollars)

	Fiscal year 2015-2016 [1]			Fiscal year 2014-2015 [1]		
	Planned expenditures for the year ending March 31, 2016	Expended during the quarter ended June 30, 2015	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2015	Expended during the quarter ended June 30, 2014	Year to date used at quarter-end
Expenditures:						
Personnel	$ 499,259	$ 128,386	$ 128,386	$ 494,738	$ 124,446	$ 124,446
Transportation and communications	9,726	2,370	2,370	12,193	1,571	1,571
Information	4,741	1,064	1,064	6,482	660	660
Professional and special services	100,558	17,682	17,682	102,776	14,713	14,713
Rentals	3,660	573	573	4,192	835	835
Repair and maintenance	18,354	2,648	2,648	16,056	3,195	3,195
Utilities, materials and supplies	39,498	6,276	6,276	35,611	6,118	6,118
Acquisition of land, buildings and works	2,636	219	219	4,026	403	403
Acquisition of machinery and equipment	25,236	2,701	2,701	24,247	2,166	2,166
Transfer payments	1,642,659	86,432	86,432	1,610,636	35,888	35,888
Other subsidies and payments	28,164	562	562	9,188	15,201	15,201
Total gross budgetary expenditures	2,374,491	248,863	248,863	2,320,144	205,196	205,196
Less Revenues netted against expenditures:						
Vote-netted revenues	67,380	7,603	7,603	65,480	10,943	10,943
Total Revenues netted against expenditures	67,380	7,603	7,603	65,480	10,943	10,943
Total net budgetary expenditures	$ 2,307,111	$ 241,260	$ 241,260	$ 2,254,664	$ 194,253	$ 194,253

Notes:

(1) Totals may not add due to rounding.

AGRICULTURE AND AGRI-FOOD CANADA

Budgetary Statutory Authorities Breakdown *(unaudited)*

For the quarter ended June 30, 2015

(In thousands of dollars)

APPENDIX A

	Fiscal year 2015-2016 [1]			Fiscal year 2014-2015 [1]		
	Planned expenditures for the year ending March 31, 2016	Expended during the quarter ended June 30, 2015	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2015	Expended during the quarter ended June 30, 2014	Year to date used at quarter-end
Contributions to employee benefit plans	$ 71,293	$ 17,823	$ 17,823	$ 69,625	$ 17,406	$ 17,406
Minister of Agriculture and Agri-Food - Salary and motor car allowance	82	21	21	80	20	20
Contribution payments for the AgriStability program	219,300	(15,923)	(15,923)	219,300	(2,690)	(2,690)
Contribution payments for the AgriInsurance program	640,800	20,470	20,470	640,800	2,408	2,408
Grant payments for the AgriInvest program	126,200	28,980	28,980	126,200	24,840	24,840
Payments in connection with the *Agricultural Marketing Programs Act*	65,900	(946)	(946)	65,900	(217)	(217)
Grant payments for the AgriStability program	41,000	(237)	(237)	41,000	(618)	(618)
Contribution payments for the AgriInvest program	17,500	2,921	2,921	17,500	302	302
Loan guarantees under the *Canadian Agricultural Loans Act*	13,111	(7)	(7)	13,111	(65)	(65)
Canadian Cattlemen's Association Legacy Fund	-	-	-	2,860	-	-

AGRICULTURE AND AGRI-FOOD CANADA

Budgetary Statutory Authorities Breakdown *(unaudited)*

For the quarter ended June 30, 2015

(In thousands of dollars)

APPENDIX A

	Fiscal year 2015-2016[1]			Fiscal year 2014-2015[1]		
	Planned expenditures for the year ending March 31, 2016	Expended during the quarter ended June 30, 2015	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2015	Expended during the quarter ended June 30, 2014	Year to date used at quarter-end
Contributions in support of the Assistance to the Pork Industry Initiative	-	(21,891)	(21,891)	-	-	-
Grants to agencies established under the *Farm Products Agencies Act*	100	-	-	100	-	-
Contribution payments for the Agricultural Disaster Relief Program (ADRP)/AgriRecovery	118,513	(1)	(1)	118,513	-	-
Canadian Pari-Mutuel Agency Revolving Fund	-	(1,067)	(1,067)	34	(1,232)	(1,232)
Spending of Amounts Equivalent to Proceeds from Disposal of Surplus Moveable Crown Assets	8,977	297	297	1,467	263	263
Grant payments for the AgriInvest Kickstart program	-	(2)	(2)	-	(15)	(15)
Contribution payments for the AgriInvest Kickstart program	-	-	-	-	(6)	(6)
Refunds of amounts credited to revenues in previous years	-	-	-	-	1	1
Contributions for agricultural risk management - Enhanced Spring Credit Advance program Business Risk Management	-	(171)	(171)	-	(132)	(132)
Class grant payments for the Transitional Industry Support program	-	(1)	(1)	-	(2)	(2)

AGRICULTURE AND AGRI-FOOD CANADA

Budgetary Statutory Authorities Breakdown *(unaudited)*

For the quarter ended June 30, 2015

(In thousands of dollars)

APPENDIX A

	Fiscal year 2015-2016 [1]			Fiscal year 2014-2015 [1]		
	Planned expenditures for the year ending March 31, 2016	Expended during the quarter ended June 30, 2015	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2015	Expended during the quarter ended June 30, 2014	Year to date used at quarter-end
Class grant payments for the Farm Income program	-	-	10	10	-	-	-
Grant payments for the Canadian Agricultural Income Stabilization program Inventory Transition Initiative		-	(20)	(20)	-	(20)	(20)
Contribution payments for the Canadian Agricultural Income Stabilization program Inventory Transition Initiative		-	(9)	(9)	-	-	-
Grants in support of the Grain and Oilseed Payment program		-	(6)	(6)	-	(1)	(1)
Grants in support of the Cost of Production Benefit		-	-	-	-	(1)	(1)
Budgetary statutory authorities	$ 1,322,777	$ 30,241	$ 30,241	$ 1,316,490	$ 40,241	$ 40,241

Notes:

(1) Totals may not add due to rounding.